the said 32 films by letting for hire some or all of the 1,090 tapes without their consent.

The answer is plainly no. A purchaser of non-infringing copyright articles obtains full ownership of such articles although he does not obtain the copyright subsisting therein: *Time-Life International (Nederlands) BV* v *Interstate Parcel Express Co Pty Ltd*,[4] at pp 262-263. Any dealings by him with such articles in the way of trade, whether for sale or hire, are not acts of infringement of copyright because the copyright owner has no exclusive right to any such dealings with such articles.

It is therefore clear that the plaintiffs' claim against the defendants were wholly misconceived from the start. Even without the statement of agreed facts, both the statement of claim and the amended statement of claim failed to disclose any cause of action since in neither of them was there a claim that the video tapes were infringing tapes or a claim that the defendants have caused the video tapes to be seen in public.

Accordingly, there will be an order in terms of the application with costs.

Application allowed.

Solicitors: *Keh Kee Guan & Co*; *Donaldson & Burkinshaw*.

Reported by *Ng Sheau Jiuan*

Elia bte Hussein Ahmad Salim bin Taib & Ors v Hong Kong Bank Trustee (Singapore) Ltd

HIGH COURT (SINGAPORE) – ORIGINATING SUMMONS NO 889 OF 1988
CHAO HICK TIN JC
14 NOVEMBER 1988

Trusts and Trustees – Beneficiary-trustee removed as trustee of settlement as a result of unauthorized investments made – Order of court stating that defaulting trustee shall not receive any income under the settlement – Trust of beneficiary-trustee's life interest failed as a consequence of court order – Discretionary trust for benefit of beneficiary-trustee's family under discretionary trust – Whether trustee's discretion to grant maintenance and support an absolute one

By an indenture, certain immovable properties were conveyed to trustees who were to hold the settled properties upon trust for the settlor during his life and the net income of the settled properties upon trusts for the sons and daughters of the settlor after his death. As a result of certain unauthorized investments, H (one of the trustees of the settlement) was removed as a trustee by an order of court dated 22 July 1986. Under para 10 of the order of court, it was ordered that 'none of the defaulting trustees shall be entitled as a beneficiary under the settlement to receive any income arising under the settlement ...'. In consequence of this event, the trust of a life interest in favour of H failed or determined in accordance with cl 4(1) of the indenture and a discretionary trust set out in cl 4(2) came into operation. Clause 4(2) of the indenture stated that 'if the trust fails or determines during the life of the principal beneficiary, then during the residue of his or her life ... such share of the net income shall be held upon trust for the application for the maintenance or support ... of (a) ... the wife ... and his or her children ...'.

The plaintiffs, who were the wife and children of H, applied to the court for maintenance and support under this discretionary trust. The defendants, who were the present trustees of the settlement, contended that the plaintiffs were not entitled to any maintenance or support under cl 4(2) of the indenture for the following reasons: (a) para 10 of the court order of 22 July 1986 forbade that; (b) H had not made good the amount he owed the settlement and was therefore not entitled to any payment until the default was remedied. As such, there is nothing that is being held upon trust for the plaintiffs and cl 4(2) does not come into effect; (c) the defendants' discretion as trustees under cl 4(2) was an absolute one.

Held, allowing the application:

(1) The court order of 22 July 1986 restrains the defaulting trustees from receiving any income as a beneficiary. It in no way affects the rights or entitlement of others like those of a spouse or children of such a principal beneficiary following the failure or determination of the life interest of the principal beneficiary.

(2) The court order of 22 July 1986 deprived H of his right to receive his share of the net income. In consequence thereof, the trust set out in cl 4(2)(a) arises, which is basically for the benefit of the family of a principal beneficiary. The very object of such a secondary trust is for the welfare and support of the children and remoter issues of the settlors, and not to punish the remoter issues with the sins of their father or mother.

(3) That part of the provision in cl 4(2)(b) commencing with the words 'as the trustees in their absolute discretion ...' until the end of that provision should qualify both cl 4(2)(a) and (b) rather than just (b).

(4) The trustees' discretion whether to grant maintenance or support under cl 4(2) is not an absolute one. The discretion lies in deciding which of the persons the trustees think most deserve a grant of maintenance or support. It does not go to the extent of giving the trustees the discretion to withhold maintenance or support altogether to any of that class of persons.

Cases referred to

1 *Re Balfour's Settlement* [1938] Ch 928 (refd)
2 *Re Dacre* [1916] 1 Ch 344 (distd)
3 *Re Eiser's Will Trusts* [1937] 1 All ER 244 (folld)

Legislation referred to

Trustees Act (Cap 336, 1985 Ed) s 38(1)(b)

Aloysius Leng for the plaintiffs.
Koh Juay Kherng for the defendants.

Cur Adv Vult

Chao Hick Tin JC : This is an application by the wife and two children of a former beneficiary-trustee, one Hussein Ahmad Salim bin Talib (hereinafter called 'Hus-

sein'), for maintenance and support under a discretionary trust following an event of forfeiture of the life interest of Hussein, a principal beneficiary. The defendants are the present trustees of the settlement.

By an indenture dated 7 October 1933, certain immovable properties were conveyed to trustees who were to stand possessed of the settled properties upon trust for the settlor during his life and after his death for a period of the life of the last survivor of thirty-seven named persons plus twenty-one years (less ten days) after the death of the last survivor (hereinafter called the 'period of the settlement') the trustee shall hold the net income of the settled properties upon trusts for the sons and daughters of the settlor, or the issues of such sons who predeceased the settlor. But it is expressly provided that these trusts in favour of the issues or remoter issues of the settlor shall take effect subject particularly to the provisions contained in cl 4 of the indenture.

I shall now set out in full the provisions of cl 4(1) and (2):

> 4 The share in the net income of the settled property whether original or accruing to which any person being a child or remoter issue of the settlor would in the absence of this clause for the time being be beneficially entitled in possession under the foregoing trusts during his or her life or until the expiration of the period of the settlement shall be held upon the following trusts, that is to say:
>
> (1) Upon trust for the same person (hereinafter called 'the principal beneficiary') during his or her life but not exceeding the period of the settlement or until he or she (whether before or after the determination of any prior life interest) does or suffers any act or thing or until any event happens whereby if such share of the net income were payable to him or her during his or her life absolutely he or she would be deprived of the right to receive the same or any part thereof in any of which cases as well as on the death of the principal beneficiary which first happens this trust of such share of the net income shall fail or determine.
>
> (2) If the trust fails or determines during the life of the principal beneficiary then during the residue of his or her life but not exceeding the period of the settlement such share of the net income shall be held upon trust for the application thereof for the maintenance or support or otherwise for the benefit of all or any one or more exclusively of the other or others of the following persons that is to say:
>
> (a) the principal beneficiary and the wife or wives or husband of the principal beneficiary, if any, and his or her children or more remoter issue if any, or
>
> (b) if there is no wife or husband or issue of the principal beneficiary in existence, the principal beneficiary and the person who if he or she were actually dead would be entitled to his or her share of the net income as the trustees in their absolute discretion without being liable to account for the exercise of such discretion shall think fit provided always that if there shall be no issue, wife or husband of the principal beneficiary the trustees shall out of such share of the net income provide food and clothing and housing accommodation for the principal beneficiary until his or her death or until the expiration of the period of the settlement whichever first happens.

As a result of certain unauthorized investments in Australia, the then trustees of the settlement, including Hussein, were by an order of court dated 22 July 1986 made in Originating Summons 1269 of 1985 removed as trustees. Under para 10 of the order of court, it was ordered that 'none of the defaulting trustees shall be entitled as a beneficiary under the settlement to receive any income arising under the settlement until the new trustee shall certify that such defaulting trustee may properly do so or until further order'. An injunction was also granted against each of the defaulting trustees from removing any of his assets in from Singapore or realizing, drawing upon or using in any way the assets save for, inter alia, the purpose of 'enabling the defaulting trustee to receive an allowance of such amount per month as shall be agreed ... to cover his reasonable living expenses and those of his immediate family'.

In consequence of this order of court, Hussein has been deprived of the right to receive his share in the net income of the settlement. The plaintiffs contend that following that event the trust of a life interest in favour of Hussein has failed or determined in accordance with cl 4(1). They further contend that if there is any doubt about such a failure or determination, Hussein being adjudicated a bankrupt on 13 March 1987 has indisputably caused such a failure or determination. Therefore, the discretionary trust set out in cl 4(2) comes into operation.

In my view, a forfeiture has occurred when the share of the net income of the settlement due to Hussein (and the other former trustees) was impounded by the order of court to make good a breach of trust: see *Re Balfour's Settlement.*[1]

For the purposes of the present proceedings, the plaintiffs concede that their father, Hussein, as one of the former trustees, owes the settlement an amount in the region of Australian $800,000.

In the affidavit filed on behalf of the present trustees, it is contended that the plaintiffs are not entitled to any maintenance or support under cl 4(2) for the following reasons:

(i) para 10 of the order of court of 22 July 1986 forbids that;

(ii) Hussein is still in default and has not made good the amount he owes the settlement. He is deemed to have received his share by anticipation and is therefore not entitled to any payment until the default is remedied. There is nothing that is being held upon trust for the plaintiffs. Accordingly, cl 4(2) of the indenture does not come into effect;

(iii) the defendants' discretion as trustees under cl 4(2) is an absolute one.

I will deal with each of these three grounds of objection by the defendants in turn. In so far as para 10 of the order of court of 22 July 1986 is concerned, it talks about 'none of the defaulting trustees shall be entitled *as a beneficiary* under the settlement to receive any income arising under the settlement until ...'. I think the scope of this paragraph is plain on the face of it. It restrains the defaulting trustees from receiving any income *as beneficiary*. It in no way affects the rights or entitlement of others like those of a spouse or children of such a principal beneficiary following the failure or determination of the life interest of the principal beneficiary.

This leads me to the second ground, which is the main point argued by counsel for the defendants. He submitted that as Hussein is in default and is owing a substantial sum to the settlement, until the amount owing is paid up, the spouse or children of Hussein are not entitled to any maintenance or support under cl 4(2)(a) of the indenture. In support of this proposition he cited *Re Dacre*[2] where Cozen-Hardy MR said at pp 346-7:

> It has been settled by a long series of authorities, which are binding upon us, that a defaulting trustee cannot claim a share in the estate unless and until he has made good his default and the true principle, I think, is that which is laid down by Sir George Jessel in *Jacubs* v *Rylance* (1874) LR 17 Eq 341 and which is again affirmed by Stirling J in the case of *Doering* v *Doering* 42 Ch D 203 and lastly emphatically affirmed by Parker J in *Re Towndrow* [1911] Ch 662 where during the course of the argument he said this : 'The real principle is that where there is an aggregate fund in which the trustee is beneficially interested and to which he owed something, he must be taken to have paid himself that amount on account of his share.'

48 *Halsbury's Laws of England*, 4th Ed, at para 944 states the principle thus:

> Where a trustee who is also a beneficiary commits a breach of trust, *his beneficial interest* in the trust property is liable for making good the loss occasioned thereby before he can claim anything for himself. His assignee is in no better position than he, even when the breach was committed by him after assigning his beneficial interest. (emphasis added)

However, I do not think the position of the plaintiffs in the present settlement is quite the same as that discussed in *Re Dacre*.[2] The order of court of 22 July 1986, deprived Hussein of his right to receive his share of the net income. In consequence thereof the trust set out in cl 4(2)(a) arises, which is basically for the benefit of the family of a principal beneficiary. In my view, the very object of such a secondary trust is for the welfare and support of the children and remoter issues of the settlors, and not to punish the remoter issues with the sins of their father or mother. The principles in *Re Dacre*[2] should be confined to the situation where the defaulting trustee is still entitled to claim as beneficiary against the trust.

I think I am fortified in this view by the decision in *Re Eiser's Will Trusts*.[3] In that case one of the trustees owed the estate a sum of money. That trustee was also given a protected life interest in the income of the testatrix's estate. That trustee having executed a deed of assignment for the benefit of his creditors the primary trust of a protected life interest in his favour was determined. As a result, the trustees held the income to be applied at their discretion for the maintenance and support of the class mentioned in the Trustees Act 1925, which included the principal beneficiary. The question was: if the trustees should decide to apply the income or part thereof to the maintenance and support of the principal beneficiary, must such sum be applied first to the reduction of the debt which the principal beneficiary owed to the estate. The court held that the trustees could apply such part of the income for the support of the principal beneficiary without reference to the payment of the debt. A fortiori, there should be nothing to impel a trustee, when applying the income for the support of the family of a principal beneficiary, to take into account the debt due from the principal beneficiary to the trust.

Turning to the third point, I would first observe that the provisions of cl 4(2) are not identical to those of s 38(1)(b) of our Trustees Act (Cap 337, 1985 Ed). Further the proviso to cl 4(2)(b) is also additional. In the course of submission, counsel for the defendants seemed to say that that part of the provision in cl 4(2)(b) (quoted in full above) commencing with the words 'as the trustees in their absolute discretion ...' until the end of that provision was wrongly typed and set and that that part should qualify both cl 4(2)(a) and (b) rather than just (b). Having examined the structure of cl 4(2), I am inclined to agree with this submission. Now let me explain. The trust under cl 4(2)(a) is for 'the benefit of all or any one or more ... of the following persons ... the principal beneficiary and the wife or wives or husband of the principal beneficiary, if any and his or her children or more remoter issue if any' and unless the expression 'as the trustees in their absolute discretion ... shall think fit' also qualifies that, cl 4(2)(a) seems to me to be incomplete. Who is to determine which of the persons under (a) should have the share of the net income for maintenance and support? Further, if that part is only intended to qualify (b) there would have been no need to repeat in the proviso to (b) the words 'if there be no issue, wife or husband of the principal beneficiary' because (b) is itself concerned with the situation where there is no wife or husband or issue of the principal beneficiary in existence.

Obviously if I were to interpret cl 4(2)(a) in the form in which it appears in the indenture, no discretion would seem to be vested in the trustees. But if I should be right in thinking, as I think I am, that there was an error in the typing and setting out of the provisions of cl 4(2) and that the clause should be construed as so amended, then I do not accept the defendants' contention that the trustees'

discretion whether to grant maintenance or support under this clause is an absolute one. In my view the discretion lies in deciding which of the persons the trustees think most deserve a grant of maintenance or support. I do not think it goes to the extent of giving the trustees the discretion to withhold maintenance or support altogether to any of that class of persons. Indeed, the proviso is most telling and it shows quite clearly that that could not be the intention of the settlor. The proviso requires the trustees to provide food, clothing and accommodation out of the relevant share of the net income to the principal beneficiary in the event that the principal beneficiary shall be without spouse or issue. The settlor obviously cared for his children (the principal beneficiaries) and his remoter issues and wished to see that they are adequately provided for. His intention was entirely benevolent.

Finally, I would like to refer to a passage in *Modern Equity* by Hanbury and Maudsley (11th Ed) at pp 274-5 which reads:

> When a forfeiture has taken place the life interest of the principal beneficiary is terminated, and the trusts in s 33(1)(ii), or those expressly contained in the instrument, as the case may be, come into play ... Under s 33 (s 38 of our Trustees Act) there are discretionary trusts in favour of the principal beneficiary and other persons, depending on whether or not a spouse or issue of the principal beneficiary is in existence. The trustees may apply the income for the remainder of the trust period for any member of the discretionary class. The principal beneficiary is not entitled to any income; but the trustees may, if they wish, pay it to him. *They must pay the income to one or more of the members.* (emphasis added)

I think this passage supports what I have just said.

In the result I would grant an order in the terms prayed for in this originating summons:

> That the defendants as trustees of the settlement do pay or apply all the 2/12 of 2/33 share of the net income of the beneficiary, Hussein Ahmad Talib under the settlement dated 7 October 1933 from 22 July 1986 for the maintenance or support or otherwise for the benefit of the plaintiffs who are the daughter, son and wife of the said beneficiary under cl 4(2) of the said settlement.

The costs of the application of both parties be paid out of the capital of the settlement and be fixed at $2,500 for each.

Application allowed.

Solicitors: *Abraham Low & Partners* ; *Lee & Lee.*

Reported by *Ng Sheau Jiuan*

Reebok International Ltd v Royal Corporation

HIGH COURT (SINGAPORE) – SUIT NO 1685 OF 1988
CHAO HICK TIN JC
11 NOVEMBER 1988

Civil Procedure – Criminal proceedings commenced regarding alleged import of counterfeit goods – No offence found disclosed – Proprietor of trade mark commencing civil action subsequently to protect trade mark – Whether res judicata and issue estoppel applicable – Whether civil action an abuse of process of court

A firm of private investigators acting on behalf of the plaintiff Reebok International Ltd ('Reebok International') laid certain complaints to a magistrate alleging that Rising Sports Pte Ltd ('Rising Sports') had imported containers containing counterfeit 'Reebok' shoes for sale in Singapore, thereby committing an offence under s 73 of the Trade Marks Act (Cap 332, 1985 Ed). As a result, search warrants were issued in respect of the containers and the premises of Rising Sports. Rising Sports and the defendant in the present action, Royal Corporation, brought a criminal motion in the High Court in which was tendered incontrovertible evidence that Rising Sports did not import the 'Reebok' shoes and that the shoes belonged to Royal Corporation who had shipped them from Japan to Singapore and back to Japan in what was evidently a cost-effective exercise in saving on storage costs. These assertions were not disputed at the hearing of the criminal motion at which the Public Prosecutor authorized counsel for Reebok International to act and argue for the respondent in that motion. The sole issue before the court in that motion was whether there had been any impropriety in obtaining the search warrants and if so whether it had resulted in a failure of justice so as to nullify the seizure of the shoes. At the conclusion of the hearing, the court ordered, inter alia, that the complaints founding the issue of the search warrants be dismissed as disclosing no offence under s 73 of the Trade Marks Act and that the search warrants be quashed.

Reebok International then instituted the present suit against Royal Corporation for infringement of their trade mark 'Reebok' and referred in their statement of claim to the same shipment of shoes as was the subject matter of the criminal motion. They also applied ex parte for and obtained an interim injunction against Royal Corporation who then applied to have the interim injunction dissolved and for damages to be assessed. At the hearing of Royal Corporation's application, their counsel raised a preliminary point of law for determination by the court, namely, the pleas of res judicata or issue estoppel or abuse of the process of the court.

Counsel for Royal Corporation seemed to argue that in the criminal motion, in deciding that no criminal offence had been disclosed the judge had decided that no offence had been committed by Royal Corporation as well because Royal Corporation had been added as applicants to the motion. It was argued for Reebok International in the instant action that even assuming that the court did decide in the criminal motion that Royal Corporation had not committed an offence under s 73 of the Act that did not mean that Reebok International were precluded from instituting a civil action to protect their rights as the proprietors of the trade mark. It was also argued for Reebok International that the burden of proof in a civil claim was different from that in a criminal case and thus there could not be any estoppel. Royal Corporation submitted that as the complaints were made by Reebok International's agents and as